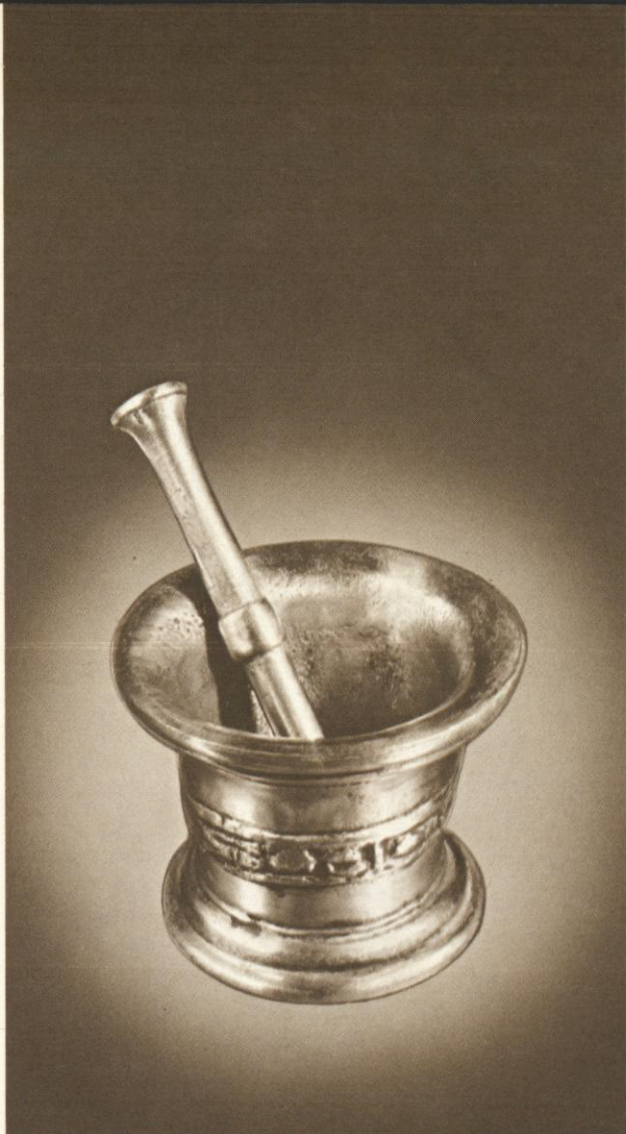


CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE



Walgreen
reports:
1970

HIGHLIGHTS OF 1970:

	1970	1969	%
SALES.....	\$743,592,093	\$672,886,458	+10.5
EARNINGS before income taxes....	15,959,429	21,707,787	-26.5
NET EARNINGS...	9,402,429	12,112,787	-22.4
Per Share of Common Stock:			
NET EARNINGS...	\$ 1.48	\$ 1.91	
DIVIDENDS PAID..	1.00	1.00	
SHAREOWNERS' EQUITY.....	15.14	14.63	

Your December 12, 1970 dividend will mark the 152nd consecutive quarterly dividend paid by Walgreen Co.

Walgreen Co. commenced dividend payments in March of 1933—at the depth of the depression—and has now paid dividends every quarter of every subsequent year.

TO OUR SHAREOWNERS:

In fiscal 1970, our sales held to their strong upward trend, nearing the ¾-billion mark at \$743,592,093, 10½% over 1969. Earnings, however, reflected tightening profit margins, falling off to \$9,402,429, or \$1.48 per share, compared to \$1.91 in 1969.

Following a 1970 earnings low point during our January-February-March second quarter, profits recovered in our third and fourth quarters, showing progressively narrowing differences versus 1969.

This regaining of profit momentum (plus the vigor of our sales increases thus far in the new fiscal year) gives us reason to look for solid progress in 1971. This outlook, we might add, reflects the enthusiasm and the goals of our entire management.

Reasons for our earnings decline in 1970 were varied: Substantial increases in payroll, interest, and other costs; the 3-month truck strike; and higher start-up costs of new stores caused by a heavy expansion program during adverse economic conditions. Additionally, earnings were reduced by introduction, early in the fiscal year, of an aggressive discount pricing program in a great many markets.

But, as our upward second half indicated, intensified cost controls and rising sales absorbed much of the impact of those difficult economic and operational factors. Meanwhile,

Walgreen Co.

GENERAL OFFICES

4300 Peterson Avenue, Chicago, Illinois 60646

DIRECTORS

A. A. BORG	C. W. MULANEY
C. R. CAMPBELL	A. G. NIELSEN, JR.
J. E. JEUCK	S. S. RAAB
C. E. LA FRAMENTA	R. L. SCHMITT
J. MITCHELL	C. R. WALGREEN III
C. R. WALGREEN, JR.	

OFFICERS

C. R. WALGREEN, JR.
CHAIRMAN OF THE BOARD

C. R. WALGREEN III, PRESIDENT

W. L. ALSTRIN VICE PRESIDENT <i>Assistant to President</i>	J. E. KLOCKE VICE PRESIDENT <i>Drug Store Operations</i>
C. R. CAMPBELL VICE PRESIDENT <i>and TREASURER</i>	J. MITCHELL VICE PRESIDENT <i>Marketing</i>
H. R. DREWS VICE PRESIDENT <i>Employee Relations, Personnel</i>	S. S. RAAB VICE PRESIDENT
M. R. KEPHART VICE PRESIDENT <i>Agency Division, Manufacturing</i>	R. L. SCHMITT VICE PRESIDENT <i>Store Operations</i>
R. J. TELFER VICE PRESIDENT, <i>Store Merchandising</i>	

T. J. BARTON SECRETARY	E. J. ROUBIK ASSISTANT SECRETARY
H. W. BECKER GENERAL AUDITOR	SYLVIA SOMMERS ASSISTANT SECRETARY
J. A. DAVLIN ASSISTANT TREASURER	N. P. STARSHAK ASSISTANT SECRETARY
C. D. HUNTER CONTROLLER	A. W. TRAUTMAN ASSISTANT CONTROLLER, ASSISTANT SECRETARY

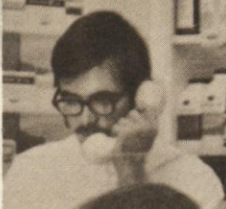
Transfer Agents:


THE FIRST NATIONAL BANK OF CHICAGO
MORGAN GUARANTY TRUST COMPANY, NEW YORK

Registrars:

HARRIS TRUST AND SAVINGS BANK, CHICAGO
FIRST NATIONAL CITY BANK, NEW YORK

PRESCRIPTION



INSULIN USERS
FOR ABOUT
NEW  SYRINGE



December 11, 1970

our discount price program and our many new stores are maturing into current and future company strengths. Today, despite a less than favorable national economy, we are in an excellent position to deliver improved earnings.

1970 was a record year of expansion for us, raising our overall total to 613 retail units. We opened 37 Walgreen Drug Stores (including 7 extra-large 'Super Centers'), while closing 23 marginal units and replacing 6. We also opened 2 restaurants, 10 Corky's, and 5 Globe department stores.

Our growing Globe division in 1970 produced \$114,750,000 in sales volume—15% of our Company total. (See Globe sales chart on page 9.) 1970's five Globe openings make it a 21-store chain today, and 2 or 3 more units will debut in 1971.

Vice President *S. S. Raab*, who has so ably served our Company for 44 years, elected to retire from his administrative duties this past summer. We are pleased that he will act in a consultant capacity for us, and is continuing as a member of the Board of Directors.

We have set challenging goals for 1971. Through the enterprise and commitment of Walgreen men and women across the nation, we will meet them.

R. Walgreen, Jr.
Chairman of the Board

R. Walgreen
President



Walgreen reports:

10 YEAR PERFORMANCE SUMMARY

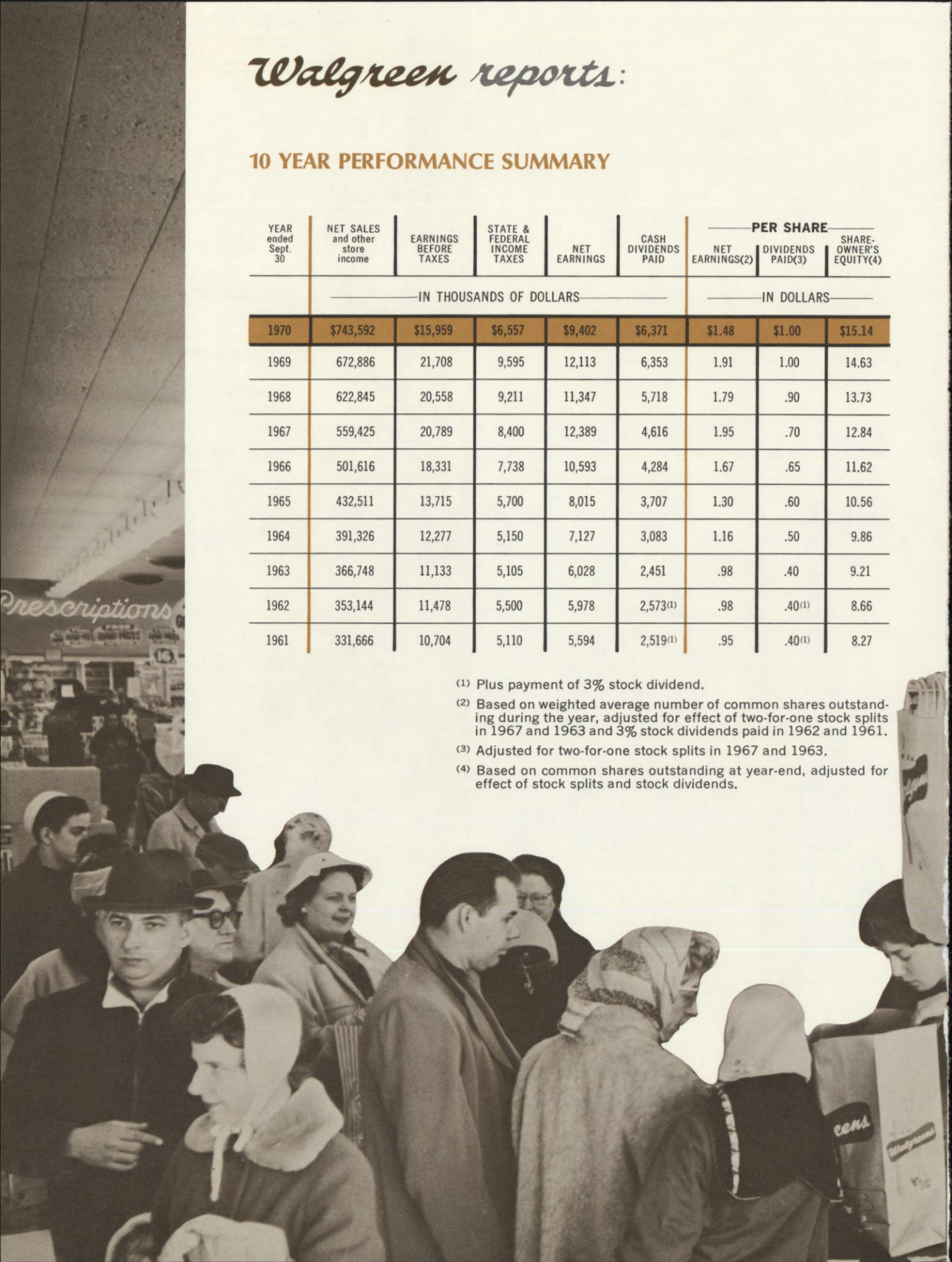
YEAR ended Sept. 30	NET SALES and other store income	EARNINGS BEFORE TAXES	STATE & FEDERAL INCOME TAXES	NET EARNINGS	CASH DIVIDENDS PAID	PER SHARE		
						NET EARNINGS(2)	DIVIDENDS PAID(3)	SHARE- OWNER'S EQUITY(4)
	—IN THOUSANDS OF DOLLARS—					—IN DOLLARS—		
1970	\$743,592	\$15,959	\$6,557	\$9,402	\$6,371	\$1.48	\$1.00	\$15.14
1969	672,886	21,708	9,595	12,113	6,353	1.91	1.00	14.63
1968	622,845	20,558	9,211	11,347	5,718	1.79	.90	13.73
1967	559,425	20,789	8,400	12,389	4,616	1.95	.70	12.84
1966	501,616	18,331	7,738	10,593	4,284	1.67	.65	11.62
1965	432,511	13,715	5,700	8,015	3,707	1.30	.60	10.56
1964	391,326	12,277	5,150	7,127	3,083	1.16	.50	9.86
1963	366,748	11,133	5,105	6,028	2,451	.98	.40	9.21
1962	353,144	11,478	5,500	5,978	2,573 ⁽¹⁾	.98	.40 ⁽¹⁾	8.66
1961	331,666	10,704	5,110	5,594	2,519 ⁽¹⁾	.95	.40 ⁽¹⁾	8.27

(1) Plus payment of 3% stock dividend.

(2) Based on weighted average number of common shares outstanding during the year, adjusted for effect of two-for-one stock splits in 1967 and 1963 and 3% stock dividends paid in 1962 and 1961.

(3) Adjusted for two-for-one stock splits in 1967 and 1963.

(4) Based on common shares outstanding at year-end, adjusted for effect of stock splits and stock dividends.



CONSOLIDATED STATEMENTS

—For the Years Ended
September 30, 1970 and 1969

EARNINGS

	1970	1969
NET SALES AND OTHER STORE INCOME	\$743,592,093	\$672,886,458
COSTS AND DEDUCTIONS:		
Cost of sales.....	538,825,631	485,085,916
Selling, occupancy and administration.....	183,726,676	161,793,554
Contribution to Employees' Profit-Sharing Retirement Trust.....	1,915,131	2,604,934
Interest expense, net.....	3,165,226	1,694,267
Federal and state income taxes (including deferred taxes of \$1,211,000 in 1970 and \$967,000 in 1969).....	6,557,000	9,595,000
	<u>734,189,664</u>	<u>660,773,671</u>
NET EARNINGS	\$ 9,402,429	\$ 12,112,787
NET EARNINGS PER COMMON SHARE	\$1.48	\$1.91

RETAINED EARNINGS

BALANCE , beginning of year.....	\$ 69,322,957	\$ 63,563,054
Net earnings.....	9,402,429	12,112,787
Cash dividends (\$1.00 per share in 1970 and 1969).....	(6,371,432)	(6,352,884)
BALANCE , end of year.....	\$ 72,353,954	\$ 69,322,957

SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:

Net earnings.....	\$ 9,402,429	\$ 12,112,787
Depreciation and amortization (Note 3).....	6,054,094	5,229,918
Increase in deferred Federal income taxes.....	1,211,000	967,000
Increase in long-term debt, net.....	9,572,525	13,087,448
Sale of 47,338 shares of common stock under employee stock purchase plans (Note 4).....	897,657	—
	<u>\$ 27,137,705</u>	<u>\$ 31,397,153</u>

APPLICATION OF FUNDS:

Net additions to property and equipment.....	\$ 10,970,506	\$ 13,505,575
Cash dividends paid.....	6,371,432	6,352,884
Increase (decrease) in investments in affiliated and other companies..	535,291	(121,429)
Increase in working capital.....	9,260,476	11,660,123
	<u>\$ 27,137,705</u>	<u>\$ 31,397,153</u>

The accompanying notes to consolidated financial statements are an integral part of the above statements.

CONSOLIDATED BALANCE SHEET

	September 30 1970	September 30 1969
ASSETS		
CURRENT ASSETS:		
Cash	\$ 11,331,667	\$ 9,620,819
Accounts receivable, less reserves of \$1,114,000 in 1970 and \$804,000 in 1969 for doubtful accounts	15,809,135	11,862,725
Inventories, at the lower of cost or market, less reserves	122,871,301	115,167,316
Prepaid rent, insurance, taxes, etc.	2,575,002	2,104,344
TOTAL CURRENT ASSETS	152,587,105	138,755,204
 INVESTMENTS IN AFFILIATED AND OTHER COMPANIES, at cost (equity in underlying book values or market value \$9,283,000 in 1970 and \$9,601,000 in 1969)		
	3,326,999	2,791,708
 PROPERTY AND EQUIPMENT, at cost:		
Land	2,487,212	3,847,217
Buildings including improvements to leased properties	13,897,252	13,013,921
Equipment	78,203,542	68,964,778
	94,588,006	85,825,916
Less—Reserves for depreciation and amortization	35,909,736	32,064,058
NET PROPERTY AND EQUIPMENT	58,678,270	53,761,858
 GOODWILL, at nominal value		
	1	1
	\$214,592,375	\$195,308,771

	September 30 1970	September 30 1969
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable.....	\$ 3,200,000	\$ 2,500,000
Current maturities of long-term debt.....	1,177,475	1,162,551
Trade accounts payable.....	40,384,811	36,419,521
Accrued expenses and other liabilities.....	19,599,647	18,896,453
Federal and state income taxes.....	2,008,106	2,820,089
TOTAL CURRENT LIABILITIES.....	66,370,039	61,798,614
 LONG-TERM DEBT, less current maturities shown above (Note 1):		
Notes payable to banks.....	37,250,000	27,375,000
Mortgages payable.....	7,965,070	8,267,545
TOTAL LONG-TERM DEBT.....	45,215,070	35,642,545
 DEFERRED FEDERAL INCOME TAXES		
(arising from accelerated depreciation).....	6,118,000	4,907,000
 SHAREOWNERS' EQUITY:		
Common stock, \$2.50 par value; authorized 10,000,000 shares; issued and outstanding 6,400,222 in 1970 and 6,352,884 in 1969, at stated value (Note 4).....	24,535,312	23,637,655
Retained earnings (Note 1).....	72,353,954	69,322,957
TOTAL SHAREOWNERS' EQUITY.....	96,889,266	92,960,612
	\$214,592,375	\$195,308,771

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) LONG-TERM DEBT: The notes payable to banks include \$25,000,000 interim loan notes which bear interest at the prime rate (7½% at September 30, 1970), and \$12,250,000, 4¼% notes payable due in annual principal installments of \$875,000 through 1974 and \$9,625,000 in 1975.

The interim loan notes were obtained under a loan agreement, the terms of which provide that the company may borrow up to an aggregate of \$25,000,000 through August 14, 1971. During this period, the company at its option may convert any or all of the loans to a term loan payable in twenty equal quarterly installments beginning in the quarter following conversion at an interest rate of ½ of 1% over the prime rate in effect from time to time.

Under the most restrictive covenants of the company's two loan agreements (a) \$45,474,689 of consolidated retained earnings at September 30, 1970, is not available for payment of cash dividends, or for repurchase of the company's stock and (b) consolidated net current assets must be at least \$52,500,000. Consolidated net current assets, as defined, are \$87,948,826 at September 30, 1970.

At September 30, 1970, the company had mortgages payable on certain store and warehouse properties at interest rates ranging from 4¾% to 5¾%.

These mortgages provide for monthly payments of principal and interest and become fully paid during the years 1982 to 1993. The annual payments including interest for each of the next five years amount to \$712,076.

(2) LEASE OBLIGATIONS: At September 30, 1970, the company and its subsidiaries had 556 leases expiring more than three years after that date (some of which contain percentage rental clauses) with minimum annual rentals of approximately \$16,126,639.

(3) DEPRECIATION: Depreciation has been provided by the companies on the straight-line method at rates considered adequate to amortize the cost of property and equipment over their estimated useful lives.

(4) CAPITAL STOCK: As of September 30, 1970, 452,662 shares of common stock were reserved for issuance under Employee Stock Purchase Plans which were approved by the shareowners on January 14, 1970.

There are authorized 1,000,000 shares of a \$1 per share par value preferred stock issuable in series. The rights of this preferred stock as to dividends, redemption and liquidation will be determined when, as and if issued.

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

To the Board of Directors and
Shareowners of Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARIES as of September 30, 1970, and the related consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and application of funds present fairly the financial position of Walgreen Co. and Subsidiaries as of September 30, 1970, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
November 5, 1970.

Arthur Andersen & Co.

Walgreen reports:

**STRONG AND
DIVERSIFIED
GROWTH:**



EXPANSION IN NUMBER AND TYPES OF UNITS

Type of Unit	1970	1969	1968	1967	1966
WALGREEN DRUG STORES	554⁽¹⁾	546	521	508	500
Regular:	528 ⁽²⁾	528	508	499	494
Super Center ⁽³⁾ :	26	18	13	9	6
GLOBE DEPARTMENT STORES And Jr. Stores ⁽⁴⁾	27	22	22	20	17
CORKY'S RESTAURANTS	24	14	4	—	—
ROBIN HOOD And OTHER RESTAURANTS	8	6	5	4	4
Total Units	613	588	552	532	521
TOTAL SALES AREA (Millions Sq. Ft., net)	5.7	5.2	4.8	4.4	4.0

(1) 280 of these stores incorporate Grill Room restaurants.

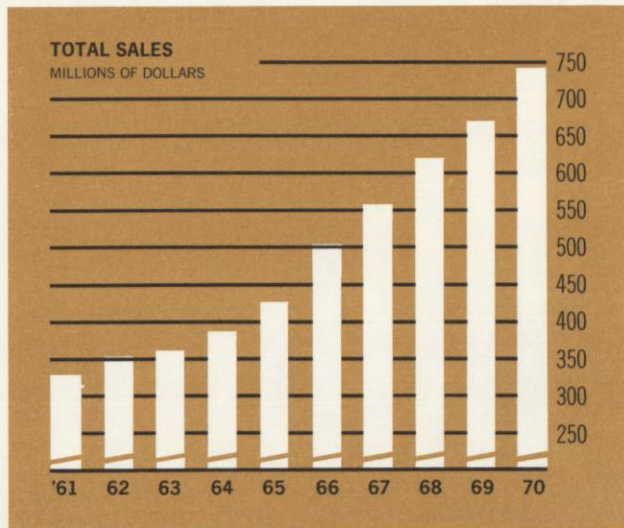
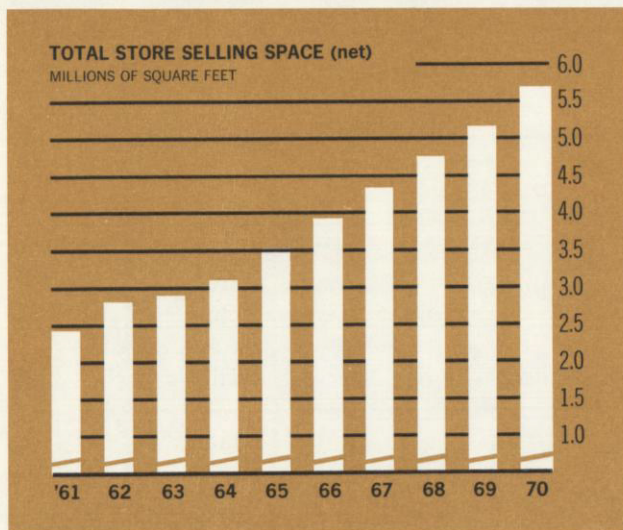
(2) 30 new stores were opened; 29 stores were closed and one enlarged to Super Center category.

(3) Super Center drug stores are extra-large units, up to 30,000 sq. ft. net sales area.

(4) Count includes (in each year) 6 smaller Jr. stores.

FIRST IMPRESSIONS are important, and here our Store Opening Crew Chief Bob Droba (right) and Jack Canning give final pre-opening check to be sure customers' first view of a new Walgreens is an impressive one. Every unit's success depends on the expertise and performance of our store staffs and the Walgreen people who work behind the scenes.

...1970: 37 NEW WALGREEN DRUG STORES OPEN..... 5 GREAT NEW



Walgreen reports: ON STORE EXPANSION



Constant growth generates competitive strength: 71% of all stores are new since 1960; average per-store sales are up 85% since 1960. And—with 107 new units opened in the past two years, we are in good position today to more fully capitalize on our expanded sales and profit potential.

...1971: EXPANSION CONTINUES OVER 30 MORE NEW DRUG

DEPARTMENT STORES SET GLOBE DIVISION GROWTH MARK.....

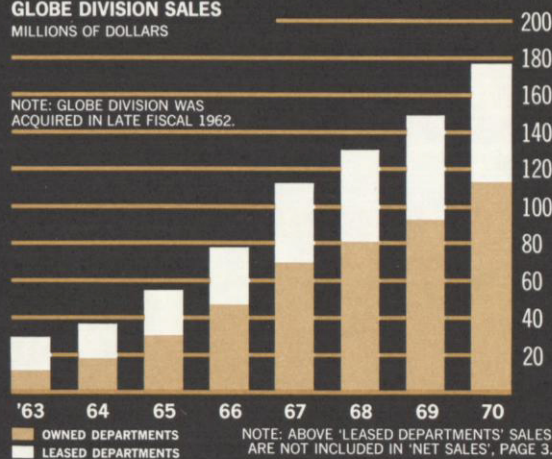


This is a Globe Grand Opening

Launchings of five new Globe discount department stores in the south and south-west in 1970 makes this division a substantial and fast-rising factor in overall company results. Its sales and earnings outlook is further enhanced by the fact that these five new units will experience their first full year of operation in 1971.

GLOBE DIVISION SALES
MILLIONS OF DOLLARS

NOTE: GLOBE DIVISION WAS ACQUIRED IN LATE FISCAL 1962.



STORES.....PLUS 2 OR 3 MORE GLOBE DEPARTMENT STORES.....

...1970: 27 GRILL ROOMS, CORKY'S AND RESTAURANTS OPEN.....

New Robin Hood Restaurant...

A relatively new facet of our diversified food operations is the Robin Hood Restaurant (our most recent, in Michigan City, Ind., is shown). In handsome, striking medieval decor, these luncheon-cocktail-dining places have proved promising from the start and selective further expansion is planned.



Walgreen reports: ON FOOD OPERATIONS



And...A New Walgreen Cafeteria of 1970...

This spacious cafeteria in downtown Evanston, Illinois, opened adjacent to our new Walgreen Drug Store there. It is another of our varied restaurant operations which add new dimension to our major food service enterprise, the 280 popular *Grill Rooms* with Walgreen stores nationwide.

John Seastone (right), Director of Food Operations, and Evanston Cafeteria Manager *Tim Looney* give smiling approval to the new installation before opening day.

...1971: FURTHER FOOD SERVICE EXPANSION PLANNED IN BOTH

Girl Scouts' Gleeful Rampage At Corky's Unit

"How do you cook so many french fries at once?"

"What makes the chicken so good?"

"How come there's no ham in the hamburgers?"

The local girl scout troop was on a gleeful rampage, firing questions as fast as they could think them up.

And Joe Merrill, Manager of the "Corky's" quick-service restaurant, was cheerfully answering them as fast as he could.

The girls were obviously enjoying their visit to his unit at 742 E. 87th Street, part of a public relations program to build awareness among young people of how a modern business is operated.

All Corky's units in the Chicagoland area are participating in the program, and to date, over 1,000 young people have taken the tours.

What's the most popular part of the tour?

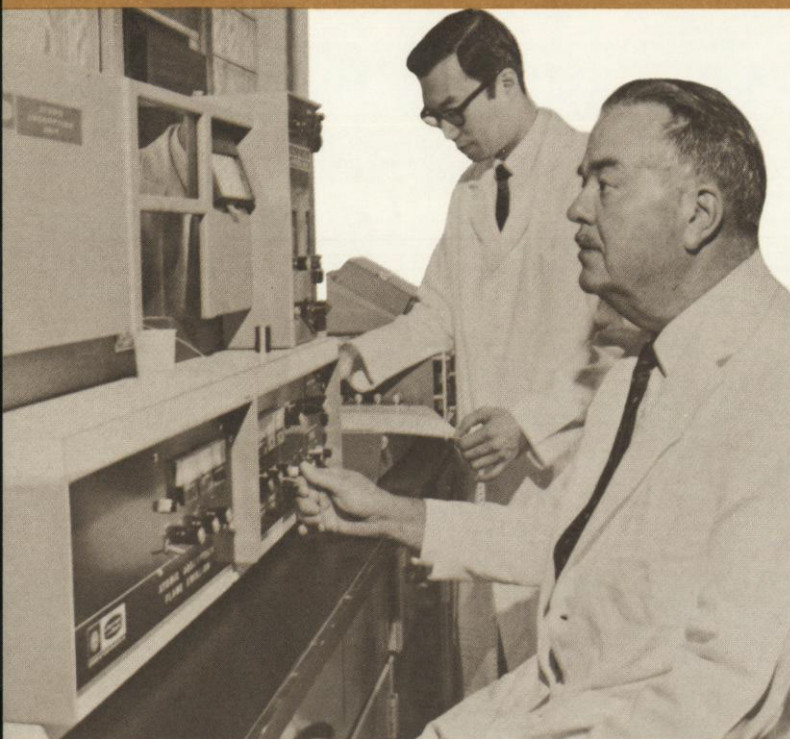
Joe Merrill smiled. "Seconds."



EXCITEMENT MOUNTS as the "hamburger machine" begins turning out thick, juicy, just-right hamburgers. Karen McNear, 10, holds the hamburger buns for Manager Joe Merrill while Towanda Adams, 10, and Laversa Jett, 10, look on with appetites mounting. The Girl Scout Troop was taking a tour of the "Corky's" restaurant at 742 E. 87th St.

Reprinted from *Chicago Courier* newspaper feature.

....1970: 23 NEW WALGREEN LABORATORY PRODUCTS INTRODUCED



"When Walgreen's Name Is On It, Quality Is In It"...

Our exclusive product lines—marketed nationally through some 2500 Walgreen, Globe, and Walgreen Agency drug stores—provide extra profitability to our Company, extra value to our customers.

- *Laboratory production:* Up 15% in 1970, and now—through recently completed introduction of 7 added production lines—geared to meet indicated 20% greater 1971 demand.

Dr. Urban Oakdale (foreground), Chief Chemist at our Manufacturing Laboratory, and *T. S. Sun*, Director of Quality Control, check new Atomic Absorber's assay of a raw material's chemistry, purity, potency.

Walgreen reports: ON MANUFACTURING

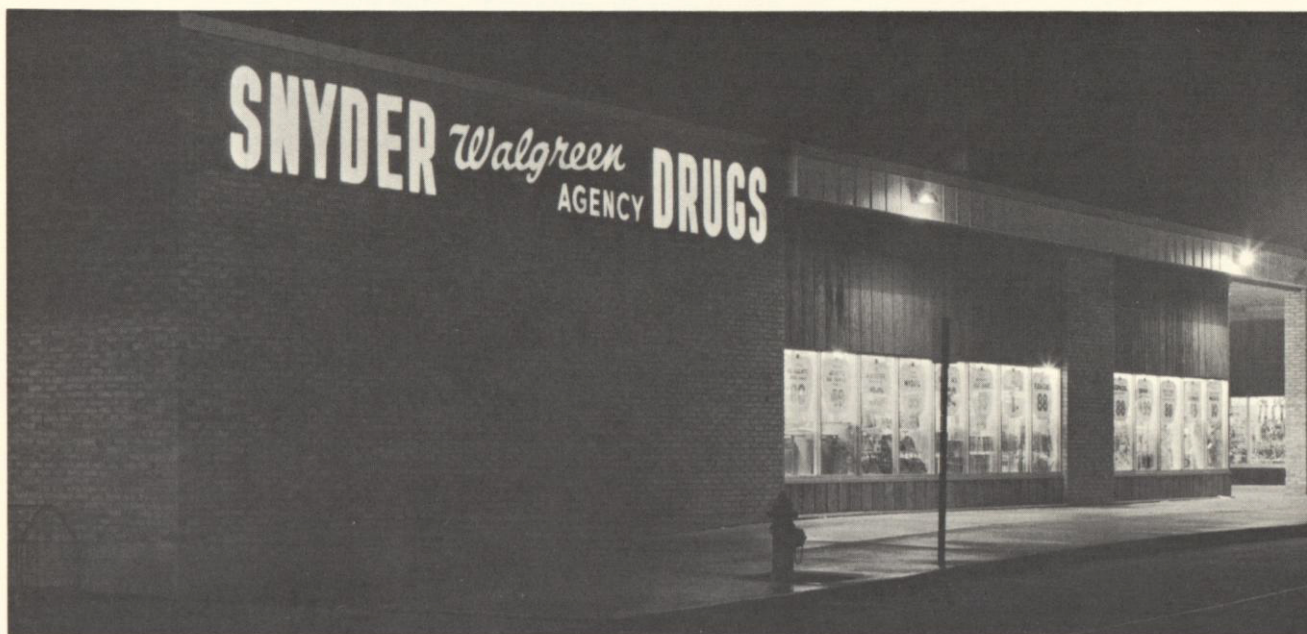


SOME OF 23 NEW 1970 ENTRANTS among over 400 Walgreen Products for health, beauty, home, family.

Products introduced within past 5 years generate 35% of the Laboratory's current 30,000,000-unit production.

....1971: 7 ADDED PRODUCTION LINES RAISE OUTPUT, LOWER COST

1970: 105 NEW DRUG STORES LIGHT WALGREEN AGENCY SIGNS.....



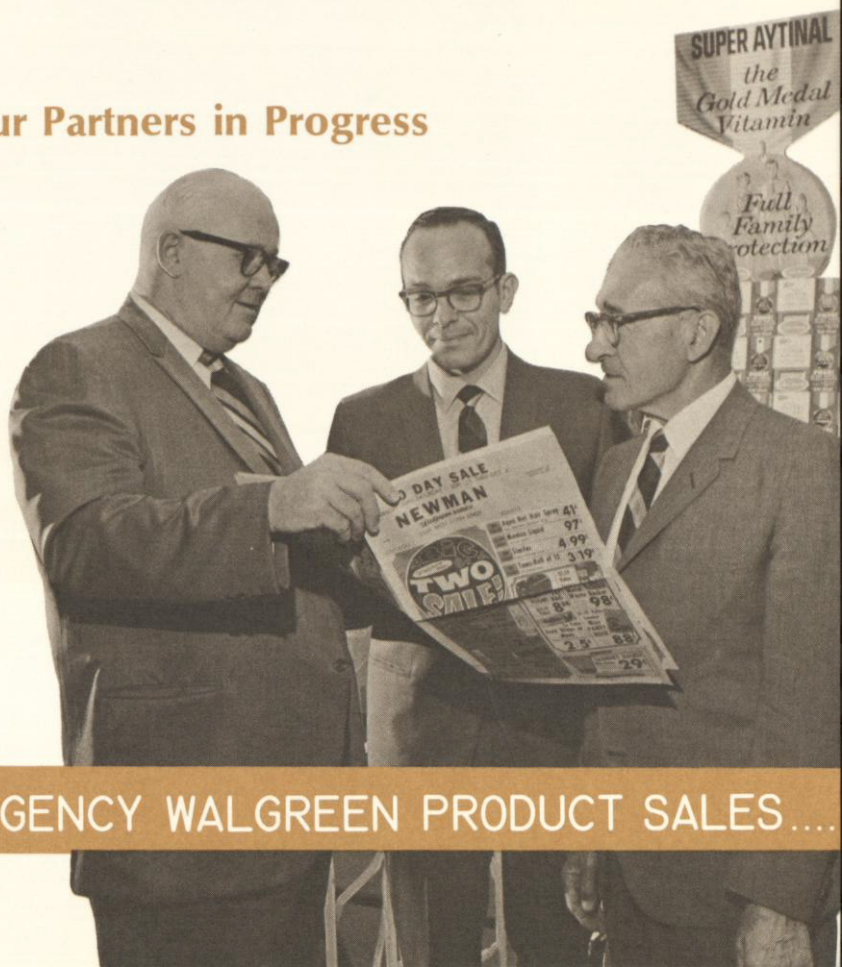
...AND FRANCHISING

Walgreen Agency Stores... Our Partners in Progress

These independently-owned, progressive drug stores dot the map from coast to coast—plus Hawaii and Guam—carrying our Walgreen name to added hundreds of communities and furthering the national reputation and sales of Walgreen products.

In turn, we benefit them: With Walgreen expertise in store design, merchandising, advertising, plus the competitive and profit advantages of Walgreen products, whose unexcelled quality and economy also create invaluable customer loyalty.

Partners in Progress: Agency Sales Manager *John Riley* (left), reviews Walgreen product promotional section with *Barney Newman* (far right), and son *Marshall*, owners of four Walgreen Agency drug stores.



1971: MORE PROGRESS IN AGENCY WALGREEN PRODUCT SALES.....

